



Certification Ceremony at IFC's *Women Get the Business Edge* Workshop in Sana'a Yemen (June 2005)

Gender Entrepreneurship Markets (GEM)

International Finance Corporation

GEM Country Brief — YEMEN 2006

This Gender Entrepreneurship Markets (GEM) Country Brief series is intended to provide an overview of the status of women's entrepreneurship in countries of the Middle East and North Africa (MENA) region. The focus of IFC's PEP-MENA GEM Program is to expand women's participation in the private sector by providing support to growth-oriented small and medium enterprises and by expanding women's employment opportunities.

Labor Force Participation

Traditionally, Yemen's rate of female labor force participation has been one of the highest in the MENA region¹ (labor force participation is traditionally high in agrarian societies). However, by 2002, women's participation rate in Yemen had fallen slightly below the MENA average and was estimated to be 31% (28% in some estimates). Yet, overall female labor force participation rates in Yemen are increasing at a faster rate than those for men (5.3% per year for women compared to 3.3% for men)². Research indicates that female private sector labor force participation is underrepresented in the Arab World and in Yemen in particular, due to misrepresentative methods of data collection. IFC's 2005 quantitative Yemen GEM study revealed that only 59% of women-owned and managed businesses are registered as opposed to 80% for men-owned and managed businesses. Thus, it may be assumed that women constitute a larger proportion of the private sector labor force than formally documented.

Women-owned Businesses in Yemen

Recent estimates on the number of micro, small and medium enterprises (MSMEs)³ are not available for Yemen. However, a baseline survey conducted by the Social Fund for Development and the World Bank in 2000⁴ provides useful approximations on the number of MSMEs. That survey covered 5,283 randomly chosen households and (work) shops. As a result of the baseline survey, it was estimated that the number of MSMEs in Yemen was around 310,000 enterprises: more than 224,000 were micro enterprises, 76,000 were small enterprises (2-4 workers), and 10,800 were medium sized enterprises (5-50 workers). Only 3% of these MSMEs were owned by women. On the basis of these data, it is reckoned that the total population of women-owned SMEs in Yemen is about 1179.

¹ Depending on the definition of labor force participation, Yemen's female labor force participation rates are relatively high. It is not easy to define labor force participation. The precise ways that work and unemployment are defined affect the numbers given for labor force participation. If the definition of work was narrowed to include only work for wages, female participation in the labor force in the Republic of Yemen would be only 4% rather than the 31% referred to in the MENA Gender and Development Report. Second, even more significantly, ILO's and other commonly used definitions of work exclude services provided to one's own family, such as caring for children, cooking and cleaning. If such family responsibilities were included in the definition, nearly all women would be included in the labor force.

² WNC. 2005. "MDG Draft Needs Assessment Report." Sana'a, Yemen: Women's National Committee.

³ There is no unified definition of MSMEs in Yemen.

⁴ Van Elk, Koos, and Paul Wijmenga. 2000. "MSE Baseline Survey: Final report of a nation-wide baseline survey among micro and small business enterprises (MSEs) in Yemen." Sana'a, Yemen: Social Fund for Development and the World Bank.

Most women are in traditional female activities in the services sector. Seventy-seven percent (77%) of the businesswomen surveyed in the Yemen GEM study (using a stratified sampling method based on the above-mentioned baseline) are in the services sector as opposed to 73% of men: 31% of whom work in beauty care, 30% in education, 10% in textiles (i.e., tailoring), and 7% in health services. Other sectors women are active in are trade (18% vs. 24% for men) and manufacturing/processing (8% vs. 10% for men).

Opportunities and Obstacles to Women's Enterprises and Business Expansion

In the Yemen GEM study, respondents were asked to rate 13 different regulatory issues on a five-point scale from "no obstacle" to "very severe obstacle." For each administrative or regulatory procedure or regulation investigated the majority of businesswomen reported no obstacle at all (68% average across all problems). The areas causing most concern were tax administration (55% of respondents rated the issues as either moderate, major, or severe)⁵, access to land and premises (41%), and business and sectoral licensing (33%). Although the laws pertaining to MSMEs are relevant to all owners, regardless of gender, the impacts of these requirements affect men differently from women because of women's different socially defined roles and limited access to networks.

a) Access to Finance. *Personal savings and family resources are the main source of business finance.* 63% percent of the businesses represented in the Yemen GEM survey relied on their own, family and friends' personal savings as their main cash inflow source. Only 1% resorted to commercial bank loans. Businesswomen think it is much more difficult to access external finance for women than it is for men. The main obstacles women face in getting short or long-term loans are access to collateral and personal contacts in banks. A study conducted by SOUL concluded that women not only lack capital, but also the general knowledge about loans.⁶ Only a few women were aware of donor funded programs such as all microfinance programs, which are, for example, funded by Social Fund for Development. The majority of businesswomen (80%) surveyed by the GEM study started their enterprises for reasons other than financial necessity. They cited ambition and "converting a hobby into a business idea" as the main reasons. *Only 20% of the respondents started their enterprises purely out of necessity.* Twice as many women-owned businesses experience liquidity problems as compared to men.

b) Access to Markets. According to a 2005 World Bank Report "*Republic of Yemen: Women in the Local Economy of Aden*" there are major impediments to increasing returns on women-owned informal businesses. The survey found that women lack access to information, markets, and social networks which is partly due to new norms of gender appropriate behavior which are increasingly restricting Adeni women to the home. Adeni women are generally considered to be more educated and modernized compared to women in other communities in Yemen. It is therefore probably safe to assume that women in other communities have even lower levels of access to markets. Many surveyed women cited problems with marketing because of being restricted to selling to other women and to having limited networks and knowledge to market their goods outside of their own neighborhood. Obtaining the necessary licenses in a male-dominated bureaucracy and public space was often cited as an impediment to entering the formal sector.

c) Access to Networks. Yemeni businesswomen face cultural constraints on their mobility and restrictions which prevent them from working in close proximity to men who are not members of their families. Combined with women's extensive care responsibilities, these restrictions limit businesswomen's access to appropriate training and employment opportunities. The trend towards business networks where SMEs can collaborate on knowledge sharing, exchange of goods & services, and joint-ventures is as important for the performance for women's businesses as it is for men's. Men can spend more time on their businesses than women because they –unlike women- do not have as many household related responsibilities that demand their time. The

⁵ The issue of tax administration is perceived to be more severe by the registered businesses (64% rated this issue as moderate or higher) than by the non-registered businesses (only 42% rated this issue as moderate or higher).

⁶ The study found that businesswomen running micro-businesses resorted to the family for funds (The focus of the whole brief and the GEM Program is SME (as opposed to Micro). I do not know if you really want to discuss Micro here), many sold their jewelry or got loans from friends.

Yemen GEM survey confirms this perception. Men tend to be more mobile and spend, on average, 3 extra hours on their businesses in comparison to women. Men have stronger networks, which contribute to a faster growth of their businesses (for example, it is easier for men to deal with government agencies, suppliers, and customers).

Country Policy and the Promotion of Women-owned Businesses There are a number of government bodies that have a focus on women's economic empowerment and MSME sector development. Though not exclusively focused on gender issues, the Social Fund for Development (SFD) is responsible for addressing the needs of MSMEs. In 1996 the Government established the Women's National Committee (WNC), which reports to the Supreme Council of Women's Affairs, presided by the Prime Minister. It is the main governmental body in charge of promoting gender equality in government policies and programs (including the Poverty Reduction Strategy and Millennium Development Goals strategies).

Yemen also developed a national Women's Employment Strategy (2001-2011), which is currently in the process of being implemented with Dutch funding. The Directorate General for Working Women in the Ministry of Social Affairs and Labor is the coordinating agency for the implementation of this unique strategy, which aims to increase women's employment opportunities in the labor market. To this end, the Prime Minister has recently signed off on the establishment of women departments within the various Ministries.

The Women's Studies Center at Sana'a University was reopened in August 2003 to generate local gender research, inform national policies on gender, and to promote the national gender dialogue.

Businesswomen's Associations and Chambers of Commerce

There is no formal Yemeni Businesswomen Association. Moreover, membership to chambers of commerce amongst women is lower than for men: 35% for women and 53% for men. GEM focus group respondents said that the reason behind low membership is that chambers of commerce are not offering anything valuable. When asked whether the chambers of commerce or business associations helped the businesswomen get new business, 99% answered "no."

Chambers of commerce and industry exist in the 20 governorates in Yemen. The most active chambers are those in the main economic hubs: Sana'a, Taiz, and Aden. The only chamber that established a women-specific section is Sana'a Chamber of Commerce and Industry. The work of the chambers of commerce is coordinated by the Federation of Chambers of Commerce and Industry, with whom - until recently, businesswomen had very few relations.

According to a 2005 ILO study, the new leadership of some of the Yemeni Chambers of Commerce have expressed a commitment to achieving a more dynamic presence of businesswomen in Chambers of Commerce and Industry. To this end, these Chambers plan to:

- determine the number of female members of Chambers of Commerce and Industry;
- support the formation of women's committees in Chambers of Commerce; and
- help businesswomen voice their concerns more collectively and systematically.

The number of businesswomen registered with the Federation of Chambers of Commerce and Industry is highest in the Aden region at nearly 200. These businesswomen work in the service and trade sectors. There are plans among the women members of the Aden Chamber of Commerce and Industry to form a women's committee. In comparison, the Taiz Chamber of Commerce and Industry has a very small number of female members who mainly operate in small-scale enterprises in personal and social services (including hairdressing and embroidery for dowries).

Donor Activities for Assistance to Women Entrepreneurs

The largest donors supporting MSMEs in Yemen include GTZ and UNDP. These donors reach women by supporting micro-enterprises. This is a critical gap in service delivery to growth-oriented women (and men) owned SMEs. Only

few women interviewed in the SOUL study were aware of donor funded programs such as all microfinance programs, which are, for example, funded by Social Fund for Development. With respect to small enterprise (SE) finance, the Small Enterprise Development Fund (SEDF) is the only specialized institution providing credit to these enterprises. As of July 2004, it had 1000 active SE clients with YR620 million in outstanding loan portfolio. A recent independent evaluation of the Fund concluded that, if provided with adequate technical support, it could grow.⁷ Other donors such as the Netherlands, CARE International, and USAID have had interventions in the form of funds to support women in specific sectors such as agriculture and education.

IFC PEP MENA GEM Program in Yemen

GEM aims to bring a gender dimension to IFC's investment projects, address gender barriers in the business environment, provide advisory services to financial intermediaries, and deliver training for women entrepreneurs. Along with sub-Saharan Africa, the Middle East and North Africa is one of the program's priority regions.

The IFC's Private Enterprise Partnership for the Middle East and North Africa (PEP-MENA) launched a regional technical assistance and advisory program for women entrepreneurs called Gender Entrepreneurship Markets (PEP-MENA GEM). The Program's goal is to maximize women's contribution to private sector development. The PEP-MENA GEM Program aims to improve women's access in PEP-MENA's four areas of activity: SME and financial market development, business environment improvements, privatization advisory services, and public-private partnerships. The Program targets growth-oriented women-owned SMEs with solutions that facilitate and promote fast track growth.

The regional GEM Program has the following main objectives:

- Demonstrate the potential contribution female entrepreneurship offers to MENA's economic growth.
- Improve female access to private sector jobs, business opportunities, business resources and skills.
- Help increase outreach and impact of Women Business Associations in the public and private sectors.

These general objectives are based on findings from regional studies of issues affecting women SME owners in the Middle East and North Africa and on the PEP-MENA GEM-commissioned country studies.

Through targeted technical assistance to women owned SMEs, the IFC GEM program seeks to address gender-based economic barriers and to develop the capacity of women entrepreneurs to contribute to economic growth and job creation in Yemen. Women entrepreneurs in Yemen have already participated in a "Women Get the Business Edge" training workshop in June 2005 in response to demand from women entrepreneurs for business training services. 15 women entrepreneurs participated in a 3-day financial management workshop held under the auspices of the Chamber of Commerce in Sana'a. Participants of the workshops viewed the training as valuable for increasing productivity and profitability of their enterprises. The success of these workshops has sparked a demand for more business skill training.

A second "Women Get the Business Edge" Training Workshop was held in Taiz in April 2006. Following a demand assessment, 13 women entrepreneurs received an overall introduction to the world of business. The training segments included 1) management (with a focus on the characteristics of businesswomen); 2) planning; 3) marketing; and 4) accounting for non-accountants.

To develop the capacity of women business trainers, the Training of Trainers (TOT) component of IFC's *Business Edge* initiative in Yemen makes a concerted effort to target female trainers as well as male trainers. Moreover, the IFC's

⁷ SFD. 2004. "Small and Micro Enterprise Development in Yemen: Strategy and Proposed Action Plan." Sana'a, Yemen: Social Fund for Development

SME Development initiative in the country is also examining how more women can benefit from the IFC's technical assistance in the country.

Sources

The Yemen GEM Fact Sheet is based on the following sources:

- ILO. "Employers' Organizations taking the lead on Gender Equality - Case studies from 10 countries", ILO Bureau for Employers' Activities, 2005.
- Niethammer, Carmen. "Gender and development in Yemen: Women in the public sphere." Washington, DC: The World Bank, 2005.
- SFD. 2004. "Small and Micro Enterprise Development in Yemen: Strategy and Proposed Action Plan." Sana'a, Yemen: Social Fund for Development
- The Society for the Development of Women and Children (SOUL) "*Gender and the Investment Climate Assessment in Yemen.*" Sept. 2005
- World Bank Report "Republic of Yemen: Women in the Local Economy of Aden." 2005.
- Yemen Country Gender Overview for World Bank/IMF Annual Meetings (World Bank 2005)
- Yemen Gender Entrepreneurship Market (GEM) Study (IFC, June 2005)

List of Useful Resources

The International Finance Corporation's Gender Entrepreneurship Markets (IFC GEM) Initiative

Private Enterprise Partnership - Middle East and North Africa (PEP-MENA)

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For more information on the IFC corporate-wide and regional GEM initiative and a global businesswomen association directory see: <http://www.ifc.org/menagem>

Gender Entrepreneurship Markets (GEM) Manual

The IFC GEM qualitative mapping methodology has been codified into a practical manual "The Gender Entrepreneurship Markets Study." The manual, available in print and CD-ROM, provides a systematic framework, tools and guidelines to conduct gender entrepreneurship country assessments. The manual is designed to help program developers design targeted technical assistance to promote gender equality. Copies are available for internal IFC distribution through the GEM Program.

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A forthcoming study *Gender equality and the Chamber of Commerce and Industry in Yemen* is being undertaken by the Women in Development Studies Center of Sana'a University, in coordination with the Yemeni Federation of Chambers of Commerce and Industry (with support from the ILO). Sana'a.

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